NCA
VOC FOR IOP/FN

BACKGROUNDER NO. 1-0139 FEBRUARY 10, 1976
JOHN BUE/PARIS

ONE DIALOGUE -- FOUR COMMISSIONS

PART I: ENERGY

(EDITORS NOTE: COMMISSION MEET IN PARIS STARTING FEBRUARY 11).

ANNCR:

THE DIALOGUE BETWEEN INDUSTRIALIZED AND DEVELOPING NATIONS ON FUTURE WORLD ECONOMIC RELATIONSHPS WHICH HAS JUST STARTED IN PARIS IS TAKING PLACE WITHIN FOUR SPECIALIZED COMMISSIONS. THE ENERGY COMMISSION IS TO DEAL WITH BASIC ISSUES SO FAR UNEXPLORED BETWEEN CONSUMERS AND PRODUCERS. VOA'S JOHN BUE HAS THIS BACKGROUND REPORT:

VOICE:

WHEN DISCUSSIONS WERE FIRST HELD EARLY LAST YEAR ON THE DIALOGUE, THE INDUSTRIALIZED NATIONS WANTED IT RESTRICTED TO ENERGY. THEY ARGUED THAT THE DEVELOPING WORLD'S OTHER NUMEROUS ECONOMIC PROBLEMS ARE DEALT WITH IN THE UNITED NATIONS' SPECIALIZED AGENCIES, WITHIN THE INTERNATIONAL MONETARY FUND, OR THE TRADE AND TARIFF ORGANIZATION, GATT.

BUT THE DEVELOPING NATIONS SOON MADE CLEAR THAT THEY CONSIDER RESULTS ACHIEVED BY THESE AGENCIES AS TOO SLOW AND INSUFFICIENT. THEY WANTED A NEW IMPETUS GIVEN BY A DIALOGUE SPECIFICALLY CENTERED ON ALL THEIR PROBLEMS. BY MID-YEAR, THE INDUSTRIALIZED NATIONS AGREED TO THIS APPROACH, BUT THE ENERGY COMMISSION REMAINS THE ONE WHICH HAS THE POTENTIAL TO RESTORE SOME ORDER INTO A SO FAR CHAOTIC WORLD ENERGY MARKET.

THE COMMISSION IS CHAIRED BY THE UNITED STATES AND SAUDI ARABIA. LIKE THE OTHER COMMISSIONS, IT INCLUDES FIVE INDUSTRIALIZED, FIVE OPEC AND FIVE NON-OIL PRODUCING DEVELOPING NATIONS. THESE COUNTRIES ARE ALL ON RECORD AS AGREEING THAT OIL PRICES AND SECURE SUPPLIES FOR CONSUMERS ARE A MAJOR ITEM OF DISCUSSION. THE NON-OIL PRODUCING DEVELOPING NATIONS HELD TEN DAYS OF DISCUSSIONS WITH THEIR OPEC COLLEAGUES EARLY THIS YEAR IN PARIS. AT THE END THEY OBTAINED A WRITTEN RECOGNITION OF THEIR BALANCE OF PAYMENTS PROBLEMS, WHICH HAVE BEEN VERY SERIOUSLY AGGRAVATED BY THE FIVEFOLD INCREASE IN OIL PRICES, WHICH IN TURN SPARKED INFLATION AND UNEMPLOYMENT IN THE DEVELOPED WORLD.

MUCH GROUND HAS BEEN COVERED SINCE THE OIL EMBARGO IMPOSED IN THE AUTUMN OF NINETEEN SEVENTY-THREE. THE INDUSTRIALIZED CONSUMER NATIONS ORGANIZED THEMSELVES AGAINST ITS RE-ENACTMENT BY SETTING UP THE EIGHTEEN-NATION INTERNATIONAL ENERGY AGENCY IN PARIS WITH ITS BUILT-IN EMERGENCY OIL-SHARING PROVISIONS. UNTIL THE END OF LAST YEAR, OPEC -- WHICH INITIATED BOTH THE EMBARGO AND THE PRICE INCREASE -- WAS BRANDING THE IEA AS AN INSTRUMENT OF CONFRONTATION. NOW THESE TWO ORGANIZATIONS FIND THEMSELVES TOGETHER WITH OBSERVER STATUS WITHIN THE ENERGY COMMISSION.

THE UNITED STATES SEES THE OIL PRICE DISCUSSIONS AS RELATED TO LONG-TERM DEMAND AND SUPPLY AND TO WORLD ECONOMIC PROGRESS. IT HAS STRESSED THE NEED FOR COOPERATION AMONG DEVELOPED AND DEVELOPING COUNTRIES TO PROMOTE INCREASED ENERGY SUPPLIES, AND US SECRETARY OF STATE

KISSINGER HAS PROPOSED CREATION OF AN INTERNATIONAL ENERGY INSTITUTE FOR THIS PURPOSE.

OPEC NATIONS HAVE CONSISTENTLY STRESSED WHAT THEY CALL THE PRESERVATION OF THE PURCHASING POWER OF OIL EXPORT EARNINGS. THEY SAY THIS CAN BE ACHIEVED EITHER BY INDEXATION OR BY ANY OTHER APPROPRIATE METHOD. INDEXATION WOULD DIRECTLY LINK OIL PRICES WITH INDUSTRIAL PRICES. LIKE THE NON-OIL PRODUCING DEVELOPING NATIONS, OPEC MEMBERS DEPLORE THE INCREASE, DUE TO WORLD INFLATION, OF THE PRICE OF INDUSTRIAL GOODS PRODUCED IN DEVELOPING NATIONS. THE INDUSTRIALIZED NATIONS OPPOSE INDEXATION, ARGUING THAT IT WOULD AUTOMATICALLY FAN THE VERY WORLD INFLATION WHICH IS AT THE ROOT OF THE PROBLEM.

ANOTHER PHENOMENON THE OPEC NATIONS WANT TO GUARD AGAINST IS THE EROSION OF THE VALUE OF THE DOLLAR ON WHICH OIL PRICES ARE BASED AND WHICH WAS PARTICULARLY NOTICEABLE LAST YEAR. ONE SOLUTION DISCUSSED BY OPEC NATIONS IS TO BASE OIL PRICES ON IMF SPECIAL DRAWING RIGHTS, VALUED ON THE AVERAGE OF SIXTEEN MAJOR CURRENCIES.

OPEC NATIONS ALSO STRESS THE NEED FOR ECONOMIES IN THE USE OF PETROLEUM AND ITS DERIVITAVES, POINTING OUT THAT THEIR RESERVES ARE LIMITED. ON THIS ISSUE, THE INDUSTRIALIZED NATIONS POINT OUT THAT THEIR PLANS TO DEVELOP ALTERNATE SOURCES ARE NOT CONTRARY TO THE LONG-TERM INTEREST OF THE OPEC NATIONS THEMSELVES.

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